

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re)	
)	Case No. 13-53846
)	
CITY OF DETROIT, MICHIGAN,)	In Proceedings Under
)	Chapter 9
Debtor.)	
)	Hon. Steven W. Rhodes

**RESPONSE OF AMBAC ASSURANCE CORPORATION TO
THE ORDER REGARDING IDENTIFYING LEGAL ISSUES
RELATING TO CONFIRMATION**

Ambac Assurance Corporation (“Ambac”), a creditor and party in interest objecting to the proposed plan of adjustment (the “Plan”) of the City of Detroit, Michigan (the “City”), hereby submits this response to the Order Regarding Identifying Legal Issues Relating to Confirmation, dated May 23, 2014 [ECF No. 5021] and states as follows:

Ambac believes that the following issues raised in Section II of Ambac’s objection to the Plan, dated May 12, 2014 [ECF No. 4677] can be determined without the necessity of proof at the confirmation hearing. Specifically, Limited Tax General Obligation (“LTGO”) debt is structurally senior to other unsecured debt under Michigan law. Accordingly, to be confirmable over the dissenting vote of Class 7, the Plan must treat LTGO claims as senior unsecured. Otherwise, the Plan will violate the absolute priority rule. At a minimum, the “fair and equitable”

test requires that LTGO debt be treated materially better than junior unsecured creditors

Dated: May 27, 2014

Respectfully Submitted,

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